

JENNIFER M. GRANHOLM GOVERNOR

STATE OF MICHIGAN OFFICE OF THE STATE BUDGET LANSING

ROBERT L. EMERSON DIRECTOR

January 5, 2007

The Honorable Ron Jelinek, Chair Senate Appropriations Committee Michigan State Senate State Capitol Lansing, Michigan 48901

House Appropriations, Chair c/o Andy Dillon, Speaker of the House Michigan House of Representatives State Capitol Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the months ending October 31, 2006 and November 30, 2006. This report is submitted pursuant to MCL 18.1386. These reports can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports."

If you have questions concerning the information in this report, please contact this office.

Sincerely,

Robert L. Emerson State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm
Mike Bishop, Senate Majority Leader
Andy Dillon, Speaker of the House
Mark Schauer, Senate Minority Leader
Craig DeRoche, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Nancy Cassis, Chair, Senate
Finance Committee

Chair, House Tax Policy Committee
Mary A. Lannoye, Executive Office
Tim Hughes, Executive Office
Senate Fiscal Agency
House Fiscal Agency
Mike Moody, Financial Management
Nancy Duncan, Deputy Director
State Budget Office
Internal Office of the State Budget
Distribution

GENERAL FUND, GENERAL PURPOSE

Fiscal Year 2007

Projected Revenues and Expenditures October 31, 2006

(\$ in millions)

FISCAL 2007 109.6 Beginning Balance, October 1, 2006 Revenues, Current Law: Current Year GF/GP Revenues, May 2006 Consensus Estimate \$ 8,435.4 Adjustments to Consensus Baseline: Additional Revenue Adjustments: \$ 387.0 Revenue Sharing Freeze (PA 437 of 2006 and May 2006 Consensus) Suspend County Revenue Sharing (PA 356 and 357 of 2004) \$ 198.0 10.0 Non-Use of SBT Pharmaceutical Credit \$ Financial Institutions Fund Revenue Deposit to GF \$ 2.8 Interest Earnings - Tobacco Securitization (PA 226 of 2005) \$ 15.0 Charge School Aid Fund for Short Term Borrowing Costs \$ 22.8 Liquor Purchse revolving Fund Revenue Deposit to GF \$ 4.0 Consumer Finance Fee Revenue Deposit to GF 7.0 \$ \$ Subtotal Additional Revenue Adjustments 646.6 Anticipated Revenue Adjustments: \$ 28.0 Land Sales (including PA 179 of 2006) Liquor Licenses/Penalties \$ 3.5 Subtotal Anticipated Revenue Adjustments \$ 31.5 Total FY Resources Available For Expenditure GF/GP 9,223.1 Expenditures, Current Law: **Enacted Post Vetoes** 9,222.8 Total Expenditures Projected \$ 9,222.8

0.3

Projected Ending Balance, September 30, 2006

¹ Subsequent to the date of this report, the State of Michigan is in the process of determining final accounting transactions for the fiscal year ending September 30, 2006. Final carryforward revenue amounts, which are expected to be substantially less than the amounts in this report, will be included in the Comprehensive Annual Financial Report to be published prior to March 31, 2007.

OFFICIAL BALANCE SHEET

SCHOOL AID FUND Fiscal Year 2007 Projected Revenues and Expenditures October 31, 2006 (\$ in millions)

FISCAL 2007 Beginning Balance, October 1, 2006 \$ 95.3 Current Year School Aid Fund Revenues, May 2006 Consensus \$ 11,552.4 General Fund Subsidy \$ 35.0 Federal Aid \$ 1,411.2 Total Available SAF Resources 13,093.9 \$ Expenditures Enacted Appropriations PA 155 of 2005 13,093.7 Adjusted Appropriations 13,093.7 \$ Projected School Aid Fund Ending Balance September 30, 2007 0.2 \$

¹ Subsequent to the date of this report, the State of Michigan is in the process of determining final accounting transactions for the fiscal year ending September 30, 2006. Final carryforward revenue amounts, which are expected to be substantially less than the amounts in this report, will be included in the Comprehensive Annual Financial Report to be published prior to March 31, 2007.

SUMMARY OF EXPENDITURES AND ENCUMBRANCES **GENERAL FUND GROSS**

October 31, 2006 (\$ IN MILLIONS)

FISCAL YEAR 2005-06

FISCAL YEAR 2006-07

		Fiscal Yr			Exec. Orders	Exp & Enc	Exp & Enc
October	Yr-to-date	end SEP	DEPARTMENT	Initial	and Supplem.	October	Yr-to-date
2005	2005-06	30, 2006		Approp	Approp.*	2006	2006-07
5.6	5.6	85.3	Agriculture	113.6	-0-	8.1	8.1
1.7	1.7	60.0	Attorney General	67.6	-0-	2.0	2.0
0.4	0.4	16.1	Auditor General	16.3	-0-	0.5	0.5
21.6	21.6	14.8	Capital Outlay**	237.8	-0-	35.5	35.5
0.3	0.3	13.4	Civil Rights	14.0	-0-	0.3	0.3
0.8	8.0	27.3	Civil Service	36.5	-0-	0.9	0.9
166.0	166.0	1,858.2	Colleges & Universities	1,924.6	-0-	205.6	205.6
980.3	980.3	9,518.5	Community Health	11,020.4	-0-	1,038.2	1,038.2
107.0	107.0	1,800.6	Corrections	1,921.1	-0-	106.7	106.7
10.4	10.4	65.2	Education	90.6	-0-	4.5	4.5
3.6	3.6	174.6	Environmental Quality	333.7	-0-	4.5	4.5
0.1	0.1	5.3	Executive Office	5.5	-0-	0.2	0.2
2.4	2.4	49.6	History, Arts & Library	54.9	-0-	4.5	4.5
379.4	379.4	4,148.3	Human Services	4,463.6	-0-	397.3	397.3
-0-	-0-	-0-	Information Technology	-0-	-0-	-0-	-0-
4.0	4.0	205.7	Judiciary	259.4	-0-	13.1	13.1
20.8	20.8	718.8	Labor & Economic Growth	856.3	29.8	28.9	28.9
6.1	6.1	121.0	Legislature	116.6	-0-	7.4	7.4
12.6	12.6	161.5	Management & Budget	175.1	-0-	17.6	17.6
7.5	7.5	32.9	Michigan Strategic Fund	32.0	-0-	7.6	7.6
9.0	9.0	109.3	Military Affairs	116.4	-0-	9.5	9.5
0.4	0.4	77.6	Natural Resources	101.4	-0-	(0.2)	(0.2)
-0-	-0-	-0-	School Aid	-0-	-0-	-0-	-0-
14.9	14.9	257.3	State	204.8	-0-	17.0	17.0
16.2	16.2	464.0	State Police	569.3	0.2	12.4	12.4
-0-	-0-	-0-	Transportation	-0-	-0-	-0-	-0-
335.8	335.8	3,101.8	Treasury	1,530.9	57.2	253.3	253.3
\$2,106.9	\$2,106.9	\$23,087.1		\$24,262.3	\$87.1	\$2,175.4	\$2,175.4

^{*}Includes boilerplate appropriations.
**Includes State Building Authority appropriated in Management and Budget.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2007 October, 2006 (\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	16,162.3	0.0	16,162.3
Total state spending from state resources	28,024.2	0.0	28,024.2
Percentage of state spending from state resources paid to			
local units	57.67%		57.67%
Required payments to local units (48.97%)	13,723.5		13,723.5
Surplus/(deficit)	\$2,438.8		\$2,438.8

STATE OF MICHIGAN

YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

OCTOBER 1, 2006 THROUGH OCTOBER 31, 2006 (in thousands)

REVENUES

Taxes From federal agencies Miscellaneous	\$ - - -
Total Revenues	
EXPENDITURES	
Current: General government Education Family Independence services Public safety and corrections	
Total Expenditures	
Excess of Revenues over (under) Expenditures	
OTHER FINANCING SOURCES (USES)	
Proceeds from Bond Issues Operating transfers from: State Lottery Fund Other funds Total operating transfers from other funds	, h ==
Operating transfers to other funds	
Total Other Financing Sources (Uses)	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ - 1

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN

YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES MICHIGAN STRATEGIC FUND

OCTOBER 1, 2006 THROUGH OCTOBER 31, 2006 (in thousands)

OPERATING REVENUES	
Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues Financing fees	210
Other	210
Total miscellaneous	210
Total Operating Revenues	210
OPERATING EXPENSES	
Salaries, wages, and other administrative	
Interest expense	-
Depreciation	
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous Total other operating expenses	<u>121</u>
Total other operating expenses	
Total Operating Expenses	121
Operating Income (Loss)	89
NONOPERATING REVENUES (EXPENSES)	
Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	-
Other nonoperating revenue	
Total other nonoperating revenues	-
Nonoperating grants Interest expense	-
Other nonoperating expense	-
Total Nonoperating Revenues (Expense	- (26
Income (Loss) Before Operating Transfe	ers89
OPERATING TRANSFERS	
Operating transfers from primary government	-
Operating transfers to primary government	
Total Operating Transfers In (Out)	
Net Income (Loss)	\$ 89 1

Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN

YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES MICHIGAN NATURAL RESOURCES TRUST FUND

OCTOBER 1, 2006 THROUGH OCTOBER 31, 2006 (in thousands)

REVENUES

Taxes	\$	-
From federal agencies		-
From licenses and permits		-
Miscellaneous		4,452
Total Revenues		4.450
Total nevertues		4,452
EXPENDITURES		
Current:		
General government Conservation, environment,		-
recreation, and agriculture		112
Capital outlay		284
oup.idi oulidy		204
Total Expenditures		396
Excess of Revenues over (under)		
Expenditures		4.056
in other acceptance		
OTHER FINANCING SOURCES (USES)		
Proceeds from bond issues		-
Operating transfers from other funds		-
Operating transfers to other funds		- 2
	89	
Total Other Financing Sources (Uses)		
Excess of Revenues and Other Sources over (under) Expenditures and		
Other Uses	\$	4,056

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

REVENUE OVERVIEW

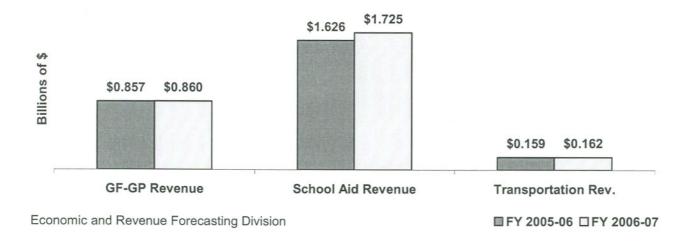
Economic and Revenue Forecasting Division Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for October 2006, representing some September and some October economic activity in Michigan.

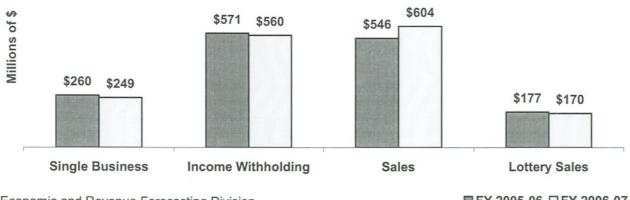
Total General Fund-General Purpose revenues were \$2.8 million (0.3 percent) higher in October 2006 than in October 2005. School Aid Fund revenues were \$98.9 million (6.1 percent) higher than in October 2005. Transportation revenues were \$2.4 million (1.5 percent) higher than in October 2005 (see revenue table). October is the first month of the State's fiscal year. Tax revenue received in October relating to economic activity prior to October will be accrued back to fiscal year 2006. Likewise, any refunds paid out in October relating to fiscal year 2006 liabilities will also be accrued back. Final 2006 revenue totals should be available in late December or early January.

FY 2006-2007 revenue forecasts presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on May 17, 2006. The Statutory estimate revenue totals are also the May 2006 Consensus estimates. The net General Fund–General Purpose revenue forecast for FY 2006-2007 is \$8,435.4 million. The net School Aid Fund revenue forecast is \$11,552.4 million, and the major Transportation Funds revenue forecast is \$2,313.0 million. The revenue projections for each tax are shown after all tax adjustments. The next revenue conference is scheduled for January 2007.

October Collections Fiscal Years 2005-06 and 2006-07



October Revenue Collections Fiscal Years 2005-06 and 2006-07



Economic and Revenue Forecasting Division

■ FY 2005-06 □ FY 2006-07

Revenue Summary 2006-07 General Fund-General Purpose, School Aid, and Transportation Funds (in thousands)

For The Month Ended: October 31, 2006

MONT	H-END CASH (COLLECTIONS	DATA	OCTOBER THROU	OCTOBER THROUGH OCTOBER CASH COLLECTIONS DATA			REVENUE PROJECTIONS				
	ctober	Difference		Difference		Difference Year-to-Date		-Date	Difference		2005-2006 2006-2007	2006-2007
									May 2006	Statutory	May 2006	
2005	2006	Amount	Percent	SOURCE OF REVENUE	2005-06	2006-07	Amount	Percent	Consensus (e)	Estimate	Consensus	
				Income Taxes								
\$570,996	\$560,094	(\$10,902)	-1.9%	Withholding	\$570,996	\$560,094	(\$10,902)	-1.9%	\$6,516,600	\$6,670,000	\$6,670,000	
9,030	10,483	1,453	16.1%	Quarterlies	9,030	10,483	1,453	16.1%	722,000	754,000	754,000	
21,066	30,494	9,427	44.8%	Annuals	21,066	30,494	9,427	44.8%	695,100	719,900	719,900	
601,093	601,070	(22)	0.0%	Gross Collections	601,093	601,070	(22)	0.0%	\$7,933,700	\$8,143,900	\$8,143,900	
27,621	38,809	11,188	40.5%	Less: Refunds	27,621	38,809	11,188	40.5%	1,679,000	1,758,000	1,758,000	
0	0	0	na	State Campaign Fund	0	0	0	na	1,500	1,500	1,500	
573,472	562,261	(11,211)	-2.0%	Net Personal Income	573,472	562,261	(11,211)	-2.0%	\$6,253,200	\$6,384,400	\$6,384,400	
156,284	156,278	(6)	0.0%	Less: Disbursements to SAF	156,284	156,278	(6)	0.0%	\$2,058,800	\$2,113,200	\$2,113,200	
\$417,188	\$405,983	(\$11,205)	-2.7%	NET PERSONAL INCOME TO GF-GP	\$417,188	\$405,983	(\$11,205)	-2.7%	\$4,194,400	\$4,271,200	\$4,271,200	
				Consumption Taxes								
\$7,550	\$7,910	\$360	4.8%	Sales (a)	\$7,550	\$7,910	\$360	4.8%	\$106,200	\$113,300	\$113,300	
79,621	92,408	12,787	16.1%	Use	79,621	92,408	12,787	16.1%	941,100	978,400	978,400	
10,417	18,840	8,423	80.9%	Tobacco	10,417	18,840	8,423	80.9%	235,300	231,400	231,400	
4,011	3,965		-1.1%				(46)	-1.1%	52,000	52,000	52,000	
		(46)		Beer, Wine & Mixed Spirits	4,011	3,965	50		34,000	34,500	34,500	
21	70	50	243.0%	Liquor Specific	21	70		243.0%				
\$101,620	\$123,194	\$21,574	21.2%	TOTAL CONSUMPTION TAXES	\$101,620	\$123,194	\$21,574	21.2%	\$1,368,600	\$1,409,600	\$1,409,600	
				Other Taxes								
\$260,433	\$248,585	(\$11,848)	-4.5%	Single Business	\$260,433	\$248,585	(\$11,848)	-4.5%	\$1,852,900	\$1,885,900	\$1,885,900	
28,309	32,982	4,672	16.5%	Insurance Premiums Taxes	28,309	32,982	4,672	16.5%	235,000	246,000	246,000	
288,742	281,567	(7,175)	-2.5%	Sub-total SBT & Insurance	288,742	281,567	(7,175)	-2.5%	2,087,900	2,131,900	2,131,900	
255	47	(208)	-81.4%	Inheritance / Estate	255	47	(208)	-81.4%	1,000	0	0	
40	445	405	na	Telephone & Telegraph	40	445	405	na	83,000	80,000	80,000	
7,478	5,692	(1,786)	-23.9%	Oil & Gas Severance	7,478	5,692	(1,786)	-23.9%	94,000	76,000	76,000	
233	0	(233)	-100.0%	Casino Wagering	233	0	(233)	-100.0%	44,100	45,000	45,000	
13,692	14,239	547	4.0%	Penalties & Interest	13,692	14,239	547	4.0%	146,700	153,400	153,400	
21	20	(1)	-4.8%	Miscellaneous Other/Railroad	21	20	(1)	-4.8%	0	0	0	
(7,667)	(7,667)	0	0.0%	Treasury Enforcement Programs (f)	(7,667)	(7,667)	0	0.0%	(92,000)	(92,000)	(92,000	
\$302,795	\$294,345	(\$8,450)	-2.8%	TOTAL OTHER TAXES	\$302,795	\$294,345	(\$8,450)	-2.8%	\$2,364,700	\$2,394,300	\$2,394,300	
\$821,603	\$823,522	\$1,919	0.2%	SUBTOTAL GF-GP TAXES	\$821,603	\$823,522	\$1,919	0.2%	\$7,927,600	\$8,075,200	\$8,075,200	

continued

Revenue Summary 2006-07 General Fund-General Purpose, School Aid, and Transportation Funds (in thousands)

For The Month Ended: October 31, 2006

MONTH-END CASH COLLECTIONS DATA OCTOBER THROUGH OCTOBER CASH COLLECTIONS DATA REVENUE PROJECTIONS October 2006-2007 Difference Year-to-Date Difference 2005-2006 2006-2007 May 2006 May 2006 Statutory 2005 2006 SOURCE OF REVENUE Amount Percent 2005-06 2006-07 Amount Percent Consensus (e) Estimate Consensus Non-Tax Revenue (f) \$2,917 \$2,917 \$0 \$0 0.0% Federal Aid \$2,917 \$2,917 0.0% \$35,000 \$35,000 \$35,000 167 167 0 0.0% Local Agencies 167 167 0 0.0% 2.000 2.000 2,000 1.500 1.500 0 0.0% Services 1,500 1.500 0 0.0% 18.000 18,000 18,000 2,833 2.833 0 0.0% Licenses & Permits 2,833 2,833 0 0.0% 34,000 34,000 34,000 0 0 0 na Investments/Interest Costs 0 0 0 (70,000)(75.000)(75,000)na 12,050 12,808 758 6.3% Misc. Non-tax Revenue 12,050 12,808 758 6.3% 144,600 153,700 153,700 11,667 11.833 167 1.4% Liquor Purchase Revolving Fund 11,667 11,833 167 1.4% 140,000 142,000 142,000 4,208 4,208 0 0.0% From Other Funds-Lottery & Escheats 4.208 4,208 0 0.0% 50.500 50.500 50.500 \$35,342 \$36,267 \$925 2.6% **TOTAL NON-TAX REVENUE** \$35,342 \$36,267 \$925 2.6% \$354,100 \$360,200 \$360,200 \$856,944 \$859,788 \$2.844 0.3% TOTAL GF-GP REVENUE \$856.944 \$859,788 \$2,844 0.3% \$8,281,700 \$8,435,400 \$8,435,400 School Aid Fund \$223,110 \$246.517 \$23,407 10.5% Sales Tax 4% \$223,110 \$246,517 \$23,407 10.5% 2,738,800 2,838,100 2.838,100 174.056 193,546 19,491 11.2% Sales Tax 2% 174,056 193,546 19,491 2,228,600 11.2% 2,144,900 2,228,600 39,811 46,204 6,393 16.1% Use Tax 2% 39.811 46.204 6.393 16.1% 470.500 489,200 489,200 924,394 987,522 63,128 6.8% State Education Property Tax 924,394 987,522 63,128 6.8% 2,010,000 2,116,000 2,116,000 21,869 28,321 (6,453)-22.8% Real Estate Transfer Tax 28,321 21,869 (6,453)-22.8% 320,000 311,000 311,000 0 0 na Lottery Transfer (b) 0 0 0 708,500 712,000 712,000 na 539 0 -100.0% (539)Casino Wagering Tax 539 0 (539)-100.0% 102,000 104,100 104,100 0 0 na Liquor Excise Tax 0 0 34,000 34,500 34,500 0 na 41,771 38,248 (3,523)-8.4% Cigarette/Tobacco Tax 41,771 38,248 (3,523)-8.4% 473,300 463,800 463,800 37,600 34,539 (3,062)-8.1% Indus. & Comm. Facilities Taxes 34,539 (3.062)37,600 -8.1% 123,000 128,000 128,000 529 594 65 12.2% Specific Other 529 594 65 12.2% 14,100 14,100 14,100 156,284 156,278 (6)0.0% Income Tax Earmarking 156,284 0.0% \$2,058,800 \$2,113,200 \$2,113,200 156,278 (6) \$1,626,416 \$1,725,316 \$98,901 6.1% TOTAL SCHOOL AID FUND \$1,626,416 \$1,725,316 \$98,901 6.1% \$11,198,000 \$11,552,400 \$11,552,400 \$545,906 \$604,408 \$58,502 10.7% SALES TAX 6% \$545,906 \$604,408 \$58.502 10.7% \$6,709,600 \$6,958,700 \$6,958,700 371.850 410,862 39,011 10.5% SALES TAX 4%(d) 371,850 410,862 39,011 10.5% 4,564,700 4,730,100 4,730,100 174,056 193,546 19,491 11.2% SALES TAX 2% 174.056 193.546 19.491 11.2% 2,144,900 2,228,600 2,228,600 119,432 138,612 19,180 16.1% USE TAX 6% 119,432 138,612 19,180 16.1% 1,411,600 1,467,600 1,467,600 806 0 (806)-100.0% CASINO WAGERING TAX 806 0 (806)-100.0% 152,400 155,500 155,500 103,137 94.673 (8,465)-8.2% TOBACCO TAXES 103,137 94.673 (8,465)-8.2% 1,179,500 1,158,900 1,158,900 3,116 0 (3,116)-100.0% TOBACCO SETTLEMENT 3,116 0 (3,116)-100.0% na na na

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CIGARETTE INVENTORY TAX

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Revenue Summary 2006-07 General Fund-General Purpose, School Aid, and Transportation Funds (in thousands)

For The Month Ended: October 31, 2006

MONTH-END CASH COLLECTIONS DATA

OCTOBER THROUGH OCTOBER CASH COLLECTIONS DATA

REVI	E 1	OD	O IE	CTI	ON	C
REVI	_ ,	- K (CIN	

	October		Differer	nce		Year-to	-Date	Difference	Difference		2006-2007	2006-2007
					N.					May 2006	Statutory	May 2006
	2005	2006	Amount	Percent	SOURCE OF REVENUE	2005-06	2006-07	Amount	Percent	Consensus (e)	Estimate	Consensus
					Major Transportation Revenues							
	\$13,198	\$12,279	(\$919)	-7.0%	Diesel Fuel / Motor Carrier Fuel Tax (g)	\$13,198	\$12,279	(\$919)	-7.0%	\$153,000	\$156,000	\$156,000
	73,091	71,594	(1,496)	-2.0%	Gasoline	73,091	71,594	(1,496)	-2.0%	918,000	928,000	928,000
	63,900	66,838	2,938	4.6%	Motor Vehicle Registration	63,900	66,838	2,938	4.6%	892,000	927,000	927,000
	3,272	2,711	(561)	-17.1%	Other Taxes, Fees & Misc.	3,272	2,711	(561)	-17.1%	207,719	204,722	204,722
	5,654	8,105	2,451	43.4%	Comprehensive Transportation (c)	5,654	8,105	2,451	43.4%	67,751	97,265	97,265
	\$159,115	\$161,527	\$2,413	1.5%	TOTAL MAJOR TRANS. REVENUES	\$159,115	\$161,527	\$2,413	1.5%	\$2,238,470	\$2,312,987	\$2,312,987
					Lottery Sales By Games							
	58,711	55,624	(3,087)	-5.3%	Instant Games	58,711	55,624	(3,087)	-5.3%	na	na	na
	56,021	55,405	(616)	-1.1%	Daily Games	56,021	55,405	(616)	-1.1%	na	na	na
_	27,175	18,303	(8,872)	-32.6%	Lotto and Big Game	27,175	18,303	(8,872)	-32.6%	na	na	na
0	1,187	1,172	(15)	-1.3%	Keno Game	1,187	1,172	(15)	-1.3%	na	na	na
Š	0	0	0	na	Changeplay Game	0	0	0	na	na	na	na
	34,200	39,593	5,392	15.8%	Club Games	34,200	39,593	5,392	15.8%	na	na	na
	\$177,294	\$170,097	(\$7,198)	-4.1%	TOTAL LOTTERY SALES	\$177,294	\$170,097	(\$7,198)	-4.1%	na	na	na

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

g Starting in January 2005, totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source:

Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

f Non-tax revenue items other than interest are estimates.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U.S. Economy

Index of Consumer Sentiment



Source: University of Michigan, Survey Research Center

The *Index of Consumer Sentiment* was 93.6 in October, 8.2 index-points above the September value and 19.4 index-points above October 2005. On the significantly higher October reading, Survey director Richard Curtin reported, "Declines in gas prices sparked the initial gains in late August, but the more substantial October gains were driven by the expectation of an improved pace of economic growth, larger wage gains, and a low unemployment rate during the year ahead. Although inflation has declined substantially due to falling gas prices, consumers are nonetheless concerned that inflation will remain persistently high during the year ahead." Curtin noted, "Home and vehicle buying plans have improved, but the timing of home purchases is contingent on when home prices stop falling and the timing of vehicle purchases on renewed discounting by vehicle manufacturers." Curtin observed, "Whether due to the persistence of inflation or the renewed economic strength, two-thirds of all consumers expect interest rates to increase during the year ahead." In October, consumers in all four regions reported an increase in confidence. Northeastern consumers reported the largest increase in confidence of 15.3 index-points, followed by Southern consumers at 11.0 index points. The gap across regions decreased from last month to 7.9 index-points, with Southern consumers on top and Midwestern consumers on the bottom.

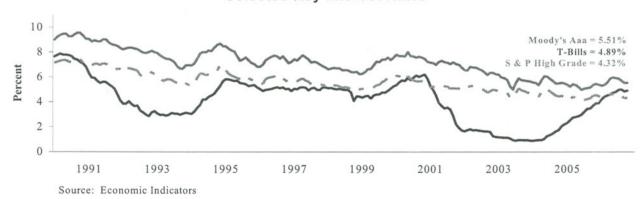
The preliminary estimate of real *Gross Domestic Product* for the third quarter of 2006 is \$11,432.9 billion (chained 2000 dollars), an increase of 1.6 percent at an annual rate. In the second quarter of 2006, real gross domestic product increased 2.6 percent. Personal consumption expenditures, exports, equipment and software, nonresidential structures, and state and local government spending led third quarter growth. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 3.1 percent in the third quarter compared to an increase of 2.6 percent in the second quarter. Real residential fixed investment decreased 17.4 percent in the third quarter compared to a decrease of 11.1 percent in the second quarter. Real nonresidential fixed investment increased 8.6 percent in the third quarter led by increased investment in nonresidential structures of 14.0 percent and growth in equipment and software of 6.4 percent. Real federal government expenditures increased 1.7 percent in the third quarter, compared to a decrease of 4.5 percent in the second quarter. Real state and local government spending increased 2.1 percent in the third quarter, compared to a 4.0 percent increase in the second quarter. Exports of goods and services increased 6.5 percent in the third quarter, compared to a 6.2 percent increase in the second quarter.

Imports increased 7.8 percent in the third quarter compared to an increase of 1.4 percent in the second quarter. Private inventory investment increased \$50.7 billion in the third quarter, down from a \$53.7 billion increase in the second quarter. Real final sales increased 1.7 percent in the third quarter compared to a 2.1 percent increase in the second quarter. On the inflation front, the **implicit price deflator** increased at a 1.8 percent annual rate in the third quarter, compared to a 3.3 percent increase observed in the second quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), decreased 0.5 percent in October, the same decrease recorded in September. Energy decreased by 7.0 percent in October; compared to a 7.2 percent increase in September, while the all-items less food and energy component increased 0.1 percent. For the six months since April, the all-items index increased at a 0.7 percent annual rate.

Compared to October 2005, the all-items index increased 1.3 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.6 percent; housing, 3.0 percent; medical care, 4.0 percent; apparel, 0.5 percent; recreation, 1.2 percent; education and communication, 3.0 percent; and other goods and services, 2.9 percent, with tobacco prices up 2.3 percent; the unadjusted decreases were: transportation 5.0 percent, with gasoline prices down 18.3 percent.

Selected Key Interest Rates

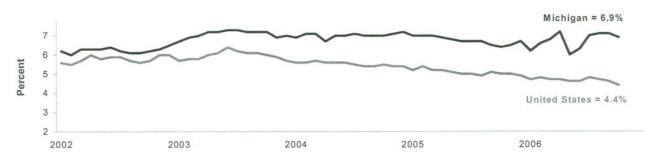


Short-term *interest rates* increased 0.07 percentage points in October as the 3-month Treasury bill (T-bill) rate averaged 4.89 percent. Compared to one year ago, the T-bill rate is up 1.19 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, remained unchanged at an interest yield of 5.51 percent in October. Compared to one year ago, the Aaa bond yield is up 0.16 percentage points. The interest rate on High-grade municipal bonds increased 0.02 percentage points to 4.32 percent in October, and stands 0.17 percentage points below its year ago level. The Federal Open Market Committee (FOMC) kept the federal funds rate unchanged at its October 25th meeting at 5.25 percent. The FOMC stated that, "Readings on core inflation have been elevated, and the high level of resource utilization has the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time." The committee, "judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information."

In October, the *U. S. unemployment rate* decreased 0.2 percentage points from a month ago to 4.4 percent and was down 0.6 percentage points from one year ago. Civilian employment totaled 145.3

million persons in October, up 0.4 million from September. The number of unemployed was 6.7 million nationwide.

Unemployment Rates 2002 - 2006

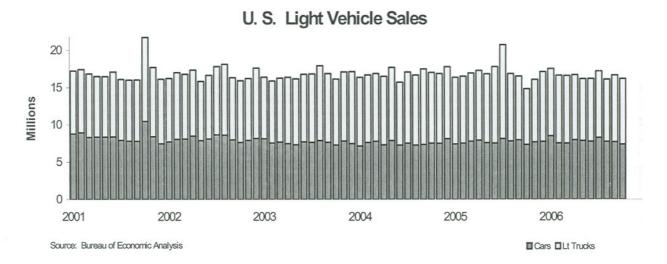


Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In October, the *Michigan jobless rate* decreased 0.2 percentage points to 6.9 percent. Compared to a year ago, Michigan's jobless rate was 0.5 percentage points higher. From a month ago, the labor force decreased by 2,000 to 5,110,000, while the number of people employed increased by 11,000 to 4,759,000. In October, there were 351,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors.

Detroit retail prices, as measured by the Consumer Price Index (CPI-U), decreased 1.0 percent from August to October, down from a 0.9 percent increase from June to August. The all-items less food and energy index increased 0.4 percent from August to October. The food index increased 2.1 percent from August to October while the energy index decreased 16.4 percent. Compared to October 2005, the all-items index increased 0.8 percent. For individual component items, the increases from one year ago were: food and beverages, 2.1 percent; housing, 2.1 percent; medical care, 3.5 percent; education and communication 5.0 percent; other goods and services, 2.7 percent; the unadjusted decreases were: apparel, 7.5 percent; transportation, 4.5 percent.

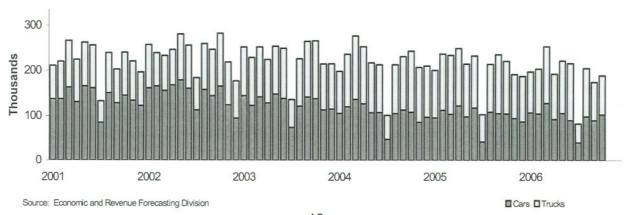
Motor Vehicle Sector



U. S. light vehicle sales (cars + light trucks) decreased 0.5 million units in October compared to last month, selling at a 16.1 million unit seasonally adjusted annual rate. Domestic car sales decreased 4.7 percent while domestic light truck sales decreased 4.4 percent. Import car sales decreased 2.7 percent while import light truck sales increased 12.6 percent. Compared to last year, light vehicle sales increased 8.9 percent. Domestic car sales were down 1.5 percent while domestic light truck sales increased 14.4 percent. Import car sales were up 5.1 percent while import truck sales rose 32.0 percent from last year. As a result, the domestic share decreased 1.1 percentage points from a year ago. For fiscal year 2007 year-to-date, domestic light vehicles have recorded a 76.6 percent share of a 16.1 million-unit market.

Michigan motor vehicle production increased to 188,095 units in October. From a year ago, motor vehicle production decreased 15 percent in Michigan and fell 10 percent nationally. In October, Michigan's car production was 101,680 units while the state's truck production was 86,415 units. Compared with a year ago, car production decreased 3 percent in Michigan but rose 6 percent nationwide. The state's truck production decreased 26 percent while national truck production fell 18 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



- 16 -

Summary Estimates of the Constitutional Revenue Limit Based on the May 17, 2006 Consensus Revenue Agreement (Article IX, Section 26)

(in millions)

	Fiscal Year	Fiscal Year	Fiscal Year
	2004-2005	2005-2006	2006-2007
	Actual	Actual	Estimate
		7	
Applicable Calendar Year Personal Income	\$314,460	\$324,134	\$335,164
Section 26 Base Ratio	<u>9.49%</u>	9.49%	9.49%
Revenue Limit	\$29,842.3	\$30,760.3	\$31,807.1
Revenue Limit	\$29,842.3	\$30,760.3	\$31,807.1
State Revenue Subject to Limit	\$25,626.8	\$26,211.0	\$27,121.1
Amount Under (Over) Limit	\$4,215.5	\$4,549.3	\$4,686.0

Sources:

Personal Income Estimate

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

The FY 2005-06 calculation uses the official personal income estimate for calendar year 2004 (Survey of Current Business, October 2005).

The FY 2006-07 calculation uses the May 17, 2006 Consensus Revenue Agreement.

Revenue Subject to the Limit

The FY 2004-05 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2005.

The FY 2005-06 calculation uses the May 17, 2006 Consensus Revenue Agreement.

The FY 2006-07 calculation uses the May 17, 2006 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury